



OFFICE OF SPEAKER NANCY PELOSI

FACT SHEET

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American Recovery and Reinvestment Act: Lowering Health Care Costs and Ensuring Broader Coverage

Affordable and quality health care is key to strong American economic growth. The American Recovery and Reinvestment Act invests in bringing our health care system into the 21st century with information technology – that is proven to reduce costs, increase quality, and save lives. The package also protects health coverage for millions of Americans who have lost their jobs in this recession by providing up to 12 months of subsidized COBRA health insurance continuation coverage and a temporary state option to cover jobless workers through Medicaid. Modernizing our health care system will create hundreds of thousands of jobs. Economist Mark Zandi estimates that, overall, this recovery package will save or create more than 250,000 jobs in the health care and education sectors.

Modernizing Health Care System to Lower Costs and Save Lives

- Provides \$20 billion to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals, in order to modernize the health care system, save billions of dollars, reduce medical errors and improve quality.
- Includes significant financial incentives through the Medicare and Medicaid programs to encourage doctors and hospitals to adopt and use electronic health records that will streamline medical care.
- Has the federal government take a leadership role in developing HIT standards by 2010 – those standards will allow for the nationwide electronic exchange and use of health information in order to improve the quality and coordination of patients' care, within a framework of enhanced security and privacy.
- Strengthens federal privacy and security law to protect personally identifiable health information from misuse as the health care sector increases the use of HIT.
- Creates hundreds of thousands of jobs – many in high-tech sectors – by promoting the adoption of HIT.
- Facilitates broad adoption of HIT systems. The nonpartisan Congressional Budget Office (CBO) estimates that, as a result of this legislation, approximately 90 percent of doctors and 70 percent of hospitals will be using comprehensive electronic health records within the next 10 years.
- Controls health care costs. The nonpartisan CBO also estimates that this proposal will generate tens of billions of dollars in "system-wide" savings, including a net reduction in private health insurance premiums for families.

Protecting Health Care Coverage for Millions Through Medicaid

- Protects health care coverage for millions of Americans during this recession, by providing an estimated \$87 billion in additional federal matching funds to help states maintain their Medicaid programs in the face of massive state budget shortfalls, over a two-year period.
- This funding is vitally needed because states are facing an unprecedented, massive fiscal crisis. Total state budget gaps for FY 2009 (generally running from 7/1/08 through 6/30/09) are about \$91 billion – \$48 billion in gaps before state budgets were adopted last summer, which were closed by cutting services or raising revenues; and \$43 billion in gaps which have opened up since then.
- Budget deficits are also already projected for 39 states for the upcoming FY 2010. Initial estimates of these shortfalls total over \$80 billion. As the full extent of FY 2010 deficits become known, state shortfalls are likely to equal \$145 billion.

- In response to these shortfalls, at least 22 states have already proposed or implemented cuts that will affect eligibility for Medicaid or reduce services covered. For example, South Carolina is limiting coverage for many Medicaid services, such as psychological counseling, physician visits, and routine physicals; and California and Utah are reducing services covered by their Medicaid programs. Additionally, the governor of California has proposed cuts that will cause more than 400,000 adults to be denied Medicaid.
- This \$87 billion in State Medicaid Fiscal Relief will help states avoid cutting eligibility for Medicaid and scaling back the health care services covered. In addition to shoring up existing Medicaid coverage, increased federal assistance for Medicaid is an excellent economic stimulus. According to economist Mark Zandi, every dollar of federal Medicaid aid results in \$1.38 in increased economic activity.

Providing Health Insurance for Unemployed Workers

- As millions of people are losing their jobs in this recession, they are also losing their health insurance. This bill has two provisions to help maintain health insurance coverage during this downturn.
- COBRA currently provides temporary coverage for workers between jobs, but it is expensive. A typical family premium on COBRA is over \$1,000 a month. To help people maintain their health coverage, the bill provides a 65% subsidy for COBRA premiums for up to 12 months for people who were involuntarily separated from their jobs between 9/1/08 and 12/31/09.
- Recognizing that not all workers are eligible for COBRA, the bill also provides states the temporary option of offering coverage to unemployed workers through their Medicaid programs, with the federal government matching 100 percent of the costs of benefits and administration
- Those two provisions are estimated by the Joint Committee on Taxation and CBO as providing health insurance coverage to more than 8 million people.
- The bill also provides that COBRA-eligible workers who are 55 or older, or have worked for an employer for 10 years or more, can extend their COBRA coverage, at their own expense and with no federal cost, until they become Medicare-eligible at age 65 or secure coverage through a subsequent employer.

Investing in Prevention and Wellness

- Makes the single largest investment in prevention in history – by providing \$3 billion for a new Prevention and Wellness Fund.
- Includes funding for immunization programs that enable public health departments to operate childhood, adolescent, and adult immunization programs.
- Includes funding for the Preventive Health and Health Services Block Grant, which provides needed resources to state and local public health departments to address prevention and wellness at the local level.
- Funds hospital infection prevention programs to reduce the incidence of hospital-acquired infection.
- Also assures funding for evidence-based clinical and community-based prevention strategies.
- Over 75 percent of total health care dollars are spent on patients with one or more chronic conditions, including diabetes, heart disease, and high blood pressure. Numerous studies have shown that making increased investments in preventing these chronic conditions is one of the most effective ways to reduce health care spending, saving billions of dollars a year.

Providing Other Key Health Care Investments

- Provides \$1.1 billion for comparative effectiveness research, in order to help patients and doctors determine the effectiveness of different medical treatments. This research will improve the quality of care.
- Provides \$1.5 billion for community health centers, including \$500 million to provide quality health care to more uninsured Americans and \$1 billion to renovate clinics.
- Provides \$600 million for the training of doctors, dentists, and nurses – to address the shortage of primary care providers.